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DEPARTMENT OF AUDITOR-CONTROLLER**

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November 19, 2012

TO: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe  
Auditor-Controller

SUBJECT: **CITY OF COMPTON – COMPTON CAREERLINK – A COMMUNITY  
AND SENIOR SERVICES' WORKFORCE INVESTMENT ACT  
PROGRAM CONTRACT SERVICE PROVIDER – CONTRACT  
COMPLIANCE REVIEW – FISCAL YEAR 2011-12**

We completed a review of City of Compton – Compton CareerLink (Compton CareerLink or Agency), a Community and Senior Services' (CSS) Workforce Investment Act (WIA) Youth Program provider, which covered a sample of transactions from Fiscal Year (FY) 2011-12. Our review was intended to determine whether Compton CareerLink provided services in compliance with their County contract and WIA requirements.

The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years.

CSS will pay Compton CareerLink approximately \$609,000 on a cost-reimbursement basis for FY 2011-12. Compton CareerLink serves participants residing in the Second Supervisorial District.

**Results of Review**

Compton CareerLink generally provided the required services to eligible participants. However, Compton CareerLink billed CSS \$24,148 in questioned costs. Specifically, Compton CareerLink:

- Billed 100% of their automobile allowances to the WIA Youth Program for two staff who worked on multiple programs, instead of allocating the expenditures based on the number of program participants as required by the Agency's Cost Allocation Plan. Questioned costs totaled \$11,200 (\$3,500 + \$7,700).

*In their attached response, Compton CareerLink indicated that the \$11,200 in automobile allowance expenditures were reallocated among the benefitted programs on an equitable basis, and agreed to repay CSS \$1,881, which the Agency calculated as the overbilled amount. However, Compton CareerLink did not provide supporting documentation of the reallocations or repayment to CSS.*

- Billed 100% of their utilities expenditures to the WIA Youth Program for a facility that was used by multiple programs, instead of allocating the expenditures based on the number of program participants as required by the Agency's Cost Allocation Plan. Questioned costs totaled \$2,492.

*In their response, Compton CareerLink indicated that they reallocated the costs in accordance with their Cost Allocation Plan, and that a revised invoice for January 2012 was submitted to CSS. However, Compton CareerLink did not provide supporting documentation of the reallocations or their January 2012 invoice.*

- Billed CSS \$5,385 (\$5,100 in FY 2011-12 and \$285 in FY 2010-11 for undocumented supportive services expenditures. The Agency did not provide signed receipts from the WIA participants acknowledging they received the services, or other documentation to support the expenditures.

*After our review, Compton CareerLink provided additional documentation to support \$3,050 of the questioned expenditures. However, Compton CareerLink did not provide documentation for the remaining \$2,335.*

- Billed CSS \$19,167 for participant wages, advertising, and travel expenditures. However, the Agency's general ledger only showed \$15,763 for these costs, resulting in \$3,404 (\$19,167 - \$15,763) in unsupported expenditures.

*In their response, Compton CareerLink indicated that they have posted all expenditures to their accounting records. However, Compton CareerLink did not provide copies of their updated accounting records to document the questioned costs.*

- Billed CSS \$1,082 in unsupported printing expenditures.

*In their response, Compton CareerLink indicated that the printing expenditures were reallocated among the benefitting programs, and agreed to repay CSS \$114.*

*However, Compton CareerLink did not provide supporting documentation for the reallocations.*

- Billed CSS \$585 for bus tokens provided to 12 non-WIA participants in FY 2010-11.

*After our review, Compton CareerLink provided additional documentation to support \$525 of the \$585 in questioned costs. The remaining \$60 (\$585 - \$525) was for two non-WIA participants, for which Agency needs to repay CSS.*

- Did not report cumulative accruals on a monthly basis as required by WIA Directive WIAD10-05.

*In their response, Compton CareerLink indicated that they have corrected their accruals as required.*

Details of our review, along with recommendations for corrective action, are attached.

### **Additional Issues**

After our review, the City of Compton received a disclaimer opinion on their June 30, 2011 Single Audit. According to the Agency's Single Audit Report, in December 2011, the Mayor of the City of Compton sent a letter to the California State Controller alleging waste, fraud, and abuse by the City of Compton of public monies. The independent accounting firm that conducted the Single Audit was unable to determine the financial impact of the allegations on the City's financial condition for the year ended June 30, 2011. The City's Single Audit Report also disclosed 21 material weaknesses in internal controls over financial reporting, and 12 instances of noncompliance which were material to the financial statements.

Based on the significant deficiencies noted in the City's Single Audit Report and the deficiencies noted in this report, CSS needs to place Compton CareerLink in the County's Contractor Alert Reporting Database (CARD). CARD is a centralized online database that alerts County departments of poorly performing contractors.

### **Review of Report**

We discussed our report with Compton CareerLink and CSS. CSS management indicated they will resolve any disputed findings in accordance with their Resolution Procedures Directive. CSS will ask Compton CareerLink to provide a Corrective Action Plan, which will address the outstanding findings and questioned costs. CSS staff will then review the Corrective Action Plan, and will provide technical assistance on an as-needed basis to address Program issues.

We thank Compton CareerLink for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may call Don Chadwick at (213) 253-0301.

WLW:JLS:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer  
Cynthia D. Banks, Director, Community and Senior Services  
Kimberly McKenzie, Director, City of Compton – Compton CareerLink  
Eric J. Perrodin, Mayor of the City of Compton  
Public Information Office  
Audit Committee

**CITY OF COMPTON – COMPTON CAREERLINK  
WORKFORCE INVESTMENT ACT YOUTH PROGRAM  
CONTRACT COMPLIANCE REVIEW  
FISCAL YEAR 2011-12**

**ELIGIBILITY**

**Objective**

Determine whether City of Compton – Compton CareerLink (Compton CareerLink or Agency) provided services to eligible individuals for the Workforce Investment Act (WIA) Youth Program.

**Verification**

We reviewed the case files for ten (10%) of 102 participants, who received services from July 2011 through March 2012, for documentation to confirm their eligibility for WIA services.

**Results**

Compton CareerLink had documentation that all ten clients reviewed were eligible for WIA services.

**Recommendation**

None.

**BILLED SERVICES**

**Objective**

Determine whether the Agency provided services in accordance with the County contract and WIA guidelines.

**Verification**

We reviewed the case files of ten participants (10% of the total number of participants) who received services from July 2011 through March 2012.

**Results**

Compton CareerLink generally provided the services in accordance with the County contract and WIA guidelines. However, Compton CareerLink did not accurately report the participant's information, such as youth status, on the Job Training Automation (JTA) System as required by WIA Directive LACOD-WIAD08-20 for one (10%) of the

ten participants reviewed. The State of California Employment Development Department and the United States Department of Labor use the JTA System to track WIA participant activities. We noted a similar finding in our prior year's monitoring review of the Agency.

After our review, Compton CareerLink updated the JTA System to accurately reflect the participant's information.

### **Recommendation**

1. **Compton CareerLink management ensure staff update the Job Training Automation System to accurately reflect participant information.**

## **CASH/REVENUE**

### **Objective**

Determine whether Compton CareerLink deposited cash receipts timely, and recorded revenue in the Agency's records properly.

### **Verification**

We interviewed Agency personnel, and reviewed the Agency's financial records. We also reviewed the Agency's bank activity for November and December 2011.

### **Results**

Compton CareerLink did not always record transactions in their accounting records on a monthly basis as required by Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook) Section A.2.0. Specifically, Compton CareerLink recorded their November and December 2011 revenue receivables on March 13, 2012.

### **Recommendation**

2. **Compton CareerLink management ensure that transactions are recorded on a monthly basis.**

## **COST ALLOCATION PLAN**

### **Objective**

Determine whether Compton CareerLink prepared its Cost Allocation Plan (Plan) in compliance with their County contract, and used the Plan to allocate shared expenditures appropriately.

**Verification**

We reviewed Compton CareerLink's Plan, and a sample of shared expenditures for September 2011 to January 2012, to ensure that the expenditures were allocated to the Agency's WIA Youth Program appropriately.

**Results**

Compton CareerLink generally prepared its Plan in compliance with the County contract. However, Compton CareerLink did not always follow their Plan to allocate shared expenditures and, as a result, did not always allocate shared expenditures to the benefitted programs on an equitable basis as required by A-C Handbook Part C.2.0. Specifically, Compton CareerLink:

- Billed 100% of their automobile allowances to the WIA Youth Program for two staff who worked on multiple programs, instead of allocating the expenditures based on the number of program participants as required by the Agency's Plan. Questioned costs totaled \$3,500.
- Billed 100% of their utilities expenditures to the WIA Youth Program for a facility that was used by multiple programs, instead of allocating the expenditures based on the number of program participants, as required by the Agency's Plan. Questioned costs totaled \$2,492. We noted a similar finding in our prior year's monitoring review of the Agency.

**Recommendations****Compton CareerLink management:**

3. **Repay CSS \$5,992 (\$3,500 + \$2,492), or reallocate the shared expenditures among the benefitted programs on an equitable basis, and repay CSS for the amounts overbilled.**
4. **Review and reallocate FY 2011-12 shared expenditures among the benefitted programs on an equitable basis, and repay CSS for the amounts overbilled.**
5. **Ensure that expenditures are allocated in accordance with the Agency's Cost Allocation Plan.**
6. **Ensure that shared expenditures are appropriately allocated among all benefiting programs.**

## **EXPENDITURES**

### **Objective**

Determine whether the expenditures charged to the WIA Program were allowable under the County contract, documented properly, and billed accurately.

### **Verification**

We interviewed Agency personnel, and reviewed financial records and documentation for eight non-payroll expenditure transactions, totaling \$12,292, billed by the Agency from September 2011 to January 2012.

### **Results**

Compton CareerLink billed CSS for unsupported expenditures. Specifically, Compton CareerLink:

- Billed CSS \$5,100 in undocumented supportive service expenditures. The Agency did not provide receipts signed by WIA participants acknowledging that they received the supportive services, or other documentation to support the expenditures. We noted a similar finding in our prior year's monitoring review of the Agency. After our review, Compton CareerLink provided additional documentation to support \$3,050 of the \$5,100 in questioned supportive services expenditures.
- Billed CSS \$19,167 in participant wages, advertising, and travel expenditures from July 2011 through January 2012. However, the Agency's general ledger only showed \$15,763 in expenditures, resulting in \$3,404 (\$19,167 - \$15,763) in unsupported costs.

### **Recommendations**

**Compton CareerLink management:**

7. **Repay CSS the \$5,455 (\$5,100 + \$3,404 - \$3,050), or provide documentation to support the Program expenditures.**
8. **Maintain adequate documentation to support expenditures.**

## **ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**

### **Objective**

Determine whether the Agency had adequate internal controls over its business operations. In addition, determine whether the Agency was in compliance with Program and administrative requirements.



**Verification**

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit, and tested expenditures, payroll, and personnel transactions.

**Results**

Compton CareerLink did not always comply with County contract and WIA requirements. Specifically, Compton CareerLink:

- Did not report cumulative accruals on a monthly basis as required by WIA Directive WIAD10-05.
- Inappropriately recorded travel expenditures in other cost categories, such as computers and incentives.
- Billed late fees to the WIA Youth Program. The total questioned costs were immaterial. However, Compton CareerLink should only bill CSS for allowable expenditures.

On June 27, 2012, after our review, the City of Compton received a disclaimer opinion on their June 30, 2011 Single Audit. According to the Agency's Single Audit Report, the Mayor of the City of Compton sent a letter to the California State Controller alleging waste, fraud, and abuse of public monies in December 2011. The Mayor did not respond to inquiries from the independent auditor, so the auditor was unable to determine the impact of this allegation on the City's financial statements as of and for the year ended June 30, 2011. The City's Single Audit Report also disclosed 21 material weaknesses in internal controls over financial reporting, and 12 instances of noncompliance that were material to the financial statements.

Based on the significant deficiencies, CSS needs to place Compton CareerLink in the County's Contractor Alert Reporting Database (CARD). CARD is a centralized online database that alerts County departments of poorly performing contractors.

**Recommendations**

9. **Compton CareerLink management report monthly accruals on a cumulative basis as required by WIA Directive WIA10-05.**
10. **Compton CareerLink management ensure that Program expenditures are billed accurately.**
11. **Compton CareerLink management bill CSS for allowable Program expenditures.**

12. CSS management place Compton CareerLink in the County's Contractor Alert Reporting Database.

### **PAYROLL AND PERSONNEL**

#### **Objective**

Determine whether the Agency charged payroll expenditures to the WIA Youth Program appropriately. In addition, determine whether the Agency obtained background clearances, verified employability, maintained proof of current driver's licenses and proof of automobile insurance for new employees assigned to the WIA Program.

#### **Verification**

We traced the WIA payroll expenditures for five employees and 17 participants, totaling \$27,631, for December 2011 and January 2012, to the Agency's payroll records and time reports.

We did not review personnel files because Compton CareerLink did not have new employees assigned to the WIA Youth Program.

#### **Results**

Compton CareerLink generally charged payroll expenditures to the WIA Youth Program appropriately. However, Compton CareerLink's payroll register and timecards did not always support the total payroll expenditures billed to CSS. The questioned costs were immaterial. However, Compton CareerLink should ensure that all expenditures billed are adequately supported.

#### **Recommendation**

**Refer to Recommendation 8.**

### **CLOSE-OUT REVIEW**

#### **Objective**

Determine whether the Agency's Fiscal Year (FY) 2010-11 final close-out invoice for the WIA Youth Program reconciled to the Agency's accounting records.

#### **Verification**

We traced Compton CareerLink's final close-out invoice for FY 2010-11 to the Agency's accounting records.

**Results**

Compton CareerLink's FY 2010-11 final close-out invoice reconciled to the Agency's accounting records. However, Compton CareerLink billed CSS \$9,652 in questioned costs. Specifically, Compton CareerLink:

- Billed 100% of their FY 2010-11 automobile allowances to the WIA Youth Program for two Agency staff who worked on multiple programs, instead of allocating the expenditures based on the number of program participants as required by the Agency's Cost Allocation Plan. Questioned costs totaled \$7,700.
- Billed CSS \$1,082 in unsupported printing expenditures. We noted a similar finding in our prior five years' monitoring reviews of the Agency.
- Billed CSS \$60 for bus tokens provided to two non-WIA participants. We noted a similar finding in our prior year's monitoring review of the Agency.
- Billed CSS \$285 in undocumented supportive services expenditures.

**Recommendation**

**Compton CareerLink management:**

**Refer to Recommendations 5, 6, 8, and 11.**

- 13. Repay CSS \$9,127 (\$7,700 + \$1,082 + \$60 + \$285), or provide documentation to support the Program expenditures.**



*City of Compton*  
**COMPTON CAREERLINK CENTER**

(310) 605-3050  
Fax. (310) 605-3067

August 10, 2012

Wendy L. Watanabe  
Auditor Controller  
Department of Auditor-Controller  
Countywide Contract Monitoring Division  
350 S. Figueroa Street, 8<sup>th</sup> Floor  
Los Angeles, CA 90071  
Attention: Yoon Park

Dear Ms. Watanabe:

Attached please find the City of Compton CareerLink's Fiscal Year 2011-2012 and FY 2010-2011 Close-out Contract Compliance Review Corrective Action Plan.

We trust that our responses are satisfactory and we welcome the opportunity to clarify our comments.

Should you have any questions, I can be reached at (310) 605-3050.

Sincerely,

A handwritten signature in black ink, appearing to read "Kimberly McKenzie".

Kimberly McKenzie, Director  
City of Compton CareerLink Center

C: Yoon Park - Principal Accountant- Auditor  
G. Harold Duffey - City Manager  
Stephen Ajobiwe - City Controller  
Roosevelt Peters - Accountant  
Collee Fields - Program Manger

Attachments

City of Compton CareerLink Center  
Response to Auditor Controller Review for FY 2011-2012 and FY 2010 – 2011 Closeout  
For Workforce Investment Act (WIA) Youth Programs

**BILLED SERVICES**

**Recommendation #1**

*Compton CareerLink management ensure staff update the Job Training Automation System to accurately reflect participant information.*

**City of Compton CareerLink's Response**

CareerLink is in agreement with not accurately reporting the participant's information for one (10%) of the ten participants reviewed, on the Job Training Automation (JTA) System. However, during the review, Compton CareerLink updated the JTA System to accurately reflect the participant's information. The MIS data entry procedures have been discussed with program staff in an effort to further minimize errors in data entry.

**CASH REVIEW**

**Recommendation #2**

*Compton CareerLink management ensure that transactions are recorded on a monthly basis.*

**City of Compton CareerLink's Response**

Postings are currently done on a regular basis. A general ledger printout showing payment being posted monthly for April, May, and June 2012 is provided. The delay in postings for November and December arose from employee lay-off. All corrections have been made and are current.

**COST ALLOCATION**

**Recommendation #3**

*Repay CSS \$5,992, or reallocate the shared expenditures to the benefitted programs on an equitable basis and repay CSS for the amounts overbilled.*

**City of Compton CareerLink's Response**

CareerLink is not in agreement with the auditor's recommendation to repay \$3,500 for auto allowance. The expenditures have been recalculated to the benefitted programs on an equitable basis and City of Compton CareerLink agrees to a repayment to CSS in the amount of \$904.58, which was deducted from the June invoice.

**Recommendation #4**

*Repay CSS \$2,492, or reallocate FY 2011-12 shared utilities expenditures to the benefitted programs on an equitable basis and repay CSS for the amounts overbilled.*

City of Compton CareerLink's Response

Journals Entries have already been made to reallocate the cost in accordance with the Cost Allocation Plan: The excess charge representing general fund share of the electric bill has been transferred to the General Fund. A revised Invoice for the month of January 2012 was sent to FMD with the appropriate corrections.

Recommendation #5

*Ensure that expenditures are allocated in accordance with the Agency's Cost Allocation Plan.*

City of Compton CareerLink's Response

CareerLink is in agreement with auditor's recommendation and have been working closely with Controller's Office Accountant staff in providing the cost allocation plan methodology on a monthly basis.

Recommendation #6

*Ensure that shared expenditures are appropriately allocated among all benefiting Programs.*

City of Compton CareerLink's Response

CareerLink is in agreement with auditor's recommendation and have been working closely with Controller's Office Accountant staff to provide training. In addition, invoices are reviewed more frequently prior to submission.

**EXPENDITURES**

Recommendation #7

*Repay CSS the \$5,455 (\$5,100 + \$3,404 - \$3,050), or provide documentation to support the Program expenditures.*

City of Compton CareerLink's Response

- a. CareerLink is not in agreement with auditor's recommendation to repay CSS \$5,100 for supportive services. CareerLink submitted to the auditor \$4,800 in expenditures for supportive services. The documents included the vendor invoice, purchase order, vendor receipt, cancelled check, and supportive service receipt forms signed by participants indicating which participants received the supportive services. CareerLink provided evidence that all supportive services gift cards were issued to WIA youth participants.
- b. In addition, CareerLink is not in agreement with the auditor's recommendation to repay CSS \$1,500 for bus tokens purchased for participants. Provided is Metro Order Form, Purchase Order form, cancelled check and Metro refund check. Subsequent to the review, CareerLink received a refund from MTA and the expenditure was deducted from the June invoice; therefore repayment to CSS is not required.

- c. Documentation is provided to support the Program expenditures. The initial expenditure printout was made prior to all journal entries. All postings have been done and a revised Invoice for January 2012 has been sent to the CSS. The City has necessary documentation to support the expenditures.

**Recommendation #8**

*Maintain adequate documentation to support the expenditures.*

**City of Compton CareerLink's Response**

CareerLink is in agreement and will continue to maintain adequate documentation to support expenditures.

**ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**

**Recommendation #9**

*Compton CareerLink management report monthly accruals on a cumulative basis as required by WIA Directive WIA10-05.*

**City of Compton CareerLink's Response**

Corrections have been made regarding expenditure accruals on the CareerLink's monthly invoices. Accruals are reported on a monthly cumulative basis as required by WIA Directive WIA10-05. Also, expenditures are accurately billed only for allowable Program expenditures.

**Recommendation #10**

*Compton CareerLink management ensure that Program expenditures are accurately billed.*

**City of Compton CareerLink's Response**

CareerLink staff has been working closely with Controller's Office Accountants to review invoices prior to submission.

**Recommendation #11**

*Compton CareerLink management bill CSS for allowable Program expenditures.*

**City of Compton CareerLink's Response**

CareerLink staff has been working closely with Controller's Office accountants to review invoices prior to submission.

Recommendation #12

*Based on the significant deficiencies reported on the City of Compton's Independent Single Audit Report, it is recommended that CSS management place Compton CareerLink in the County's Contractor Alert Reporting Database.*

City of Compton CareerLink's Response

CareerLink is not in agreement with auditor's recommendation. The City of Compton's Single Audit Report is a citywide review of the City's financial statements. Furthermore, the report did not indicate questioned cost with regards to the Workforce Investment Act (WIA) Youth program.

**CLOSE-OUT REVIEW (FY 2010-2011)**

Recommendation #13

*Repay CSS \$9,127 (\$7,700 + \$1,082 + \$585 + \$285 - \$525), or provide documentation to support the Program expenditures.*

City of Compton CareerLink's Response

CareerLink is in agreement as follows:

- a. \$7,700 in auto allowance expenditures have been reallocated to the benefitting programs and CareerLink agrees to repay CSS \$976.50.
- b. \$1,082 for printing expenditures has been reallocated resulting in a repayment to CSS of \$114.14.
- c. \$585 for tokens was in fact provided to WIA participants. Of the 12 participants listed 10 are on the WIA participant roster. The remaining two (2) participants do not appear on any of CareerLink's program rosters, therefore no repayment is required.
- d. \$285 for missing invoice for tokens purchased. The process for ordering bus tokens through MTA is as follows: a Metro Mail Order Form is completed and faxed to Metro. CareerLink then processes a Purchase Requisition and Purchase Order. Upon receipt of the Purchase Order a request for warrant is prepared and submitted to the Controller's Office. Once a check is cut, CareerLink staff normally takes the check to Metro and picks up the box of tokens. The document in question is an invoice. The Metro Mail Order Form serves as the invoice; therefore CareerLink is not in agreement with the repayment of \$285 for tokens.

City of Compton CareerLink would like to thank the Auditor Controller staff for their assistance. We appreciate the opportunity to provide additional documentation to support WIA program expenditures.